

Message Text

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ORIGIN COME-00

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

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COM/BIC/OED/MEPD/CATKINS

COM/BIC/OED/MEPD/JMSANDS, DIR.

EXIMBANK/RMOYERS (DRAFT)

STATE/ARA/BR/JSLATTERY (PHONE)

COM/BIC/OIM/TJOHNSON (INFO)

COM/BIC/CHOSTLER (DRAFT)

COM/BIC/OED/DBAKER (DRAFT)

TREAS/RPELIKAN (DRAFT)

EB/IFD/RGELBARD

EB/OCA/BR/JSIMMONS

COMM/TTABOR (INFO)

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA PRIORITY

INFO AMCONSUL RIO DE JANEIRO PRIORITY

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E.O. 11652: N/A

TA: BEXP, BR

SUBJECT: BRAZILIAN PHASE III STEEL EXPANSION PROGRAM

REF: BRASILIA 1209, BRASILIA 0717

1. ON FEBRUARY 21 THE COMMERCE DEPARTMENT SPONSORED
A MEETING WITH MEMBER COMPANIES OF THE RECENT U.S.
INDUSTRY TASK FORCE TO BRAZIL AND CHAIRMAN CASEY OF
THE EXPORT-IMPORT BANK. UNDER SECRETARY TABOR AND
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DEPUTY ASSISTANT SECRETARY HOSTLER ACTED AS CHIEF

COMMERCE SPOKESMEN AT THE SESSION. ALSO INCLUDED WERE REPRESENTATIVES OF THE DEPARTMENTS OF STATE AND TREASURY. ANDREW MELLEN, V.P. OF AIR PRODUCTS, ACTED AS THE CHIEF INDUSTRY SPOKESMAN.

2. THE MEETING GAVE EACH OF THE INTERESTED PARTIES AN OPPORTUNITY TO STATE THEIR RESPECTIVE POSITIONS. THE INDUSTRY SPOKESMAN REITERATED THAT WITHOUT COMPETITIVE BILATERAL FINANCING THE U.S. FIRMS WOULD BE UNABLE TO COMPETE AND THUS THEY WOULD EITHER NOT BID OR BID THROUGH FOREIGN SUBSIDIARIES. THIS IS PARTICULARLY IMPORTANT AS THE AMERICAN FIRMS BELIEVE THEY ARE IN A FAVORED PRICE AND DELIVERY POSITION TO

OBTAIN UPWARDS OF 250 MILLION DOLLARS IN CONTRACTS. COMPETITIVE TERM AND EFFECTIVE INTEREST RATES ARE THE TWO MOST IMPORTANT CONSIDERATIONS IN DETERMINING SOURCE OF BID.

3. CHAIRMAN CASEY OPENED HIS REMARKS BY STATING THAT EXIMBANK HAS HAD A LONG STANDING RELATIONSHIP WITH BRAZIL AND PARTICULARLY THE BRAZILIAN STEEL INDUSTRY. MR. CASEY INDICATED THAT IN HIS RECENT LETTER TO WILKIE BARBOSA, DIRECTOR-SUPERINTENDENT OF SIDERBRAS, HE STATED THAT THE BANK WOULD BE COMPETITIVE ON TERM AND INTEREST RATE, BUT PREFERS THAT PRELIMINARY COMMITMENT REQUESTS BE MADE BY THE BRAZILIAN STEEL COMPANIES IN SEVERAL LARGE PACKAGES WITH DRAW-DOWNS BEING SPREAD OVER SEVERAL YEARS.

4. CHAIRMAN CASEY THEN COMMENTED THAT ON THE FIVE VARIABLES WHICH MAKE UP A BILATERAL CREDIT, I.E. INTEREST, MATURITY, DEGREE OF GOVERNMENT PARTICIPATION, LOCAL COST, AND CONCESSIONARY FINANCING, EXIM USES ITS FLEXIBILITY ON MATURITY TO OFFSET THE ADVANTAGES THE FOREIGN BILATERAL AGENCIES HAVE ON THE OTHER FOUR. ON PHASE III EXIM IS PREPARED TO USE THIS FLEXIBILITY TO ASSURE THAT THE U.S. SUPPLIERS HAVE A COMPETITIVE FINANCIAL PACKAGE.

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5. THE MEETING WAS THEN OPEN TO DISCUSSION. THE IMPORTANT POINTS MAY BE SUMMARIZED AS FOLLOWS:

--- . THE TERM ON THE EXIMBANK LOAN WILL
--- BE COMPETITIVE WITH THE CREDITS OF
--- THE OTHER MAJOR BILATERAL AGENCIES.

. EXIMBANK WILL GIVE INDUSTRY A FIRM

INDICATION ON THE DETAILS OF THE EXIM
FINANCIAL PACKAGE PRIOR TO THE TIME
WHEN THE COMPANIES UNDERTAKE TO
PREPARE THEIR BIDS.

. IF NECESSARY TO MAKE THE U.S. FINANCIAL

PACKAGE COMPETITIVE, EXIMBANK WILL
CONSIDER GOING TO 45 PERCENT ON A
DIRECT CREDIT, OR AS AN ALTERNATIVE,
THEY WILL DEVELOP A PACKAGE WITH
PEFCO WHICH WILL LOWER THE EFFECTIVE

U.S. INTEREST RATE.

--- . THE BRAZILIANS HAVE ACCEPTED FLOATING
--- INTEREST RATES ON THE COMMERCIAL BANK
--- PORTION ON PREVIOUS LOANS AND THUS
--- THERE IS NO REASON TO BELIEVE THEY
--- WILL NOT ACCEPT THIS ON PHASE III.

--- . RELIABLE INTELLIGENCE ON THE TERMS
--- OF THE FOREIGN BILATERAL PACKAGES

--- IS ABSOLUTELY NECESSARY IF EXIMBANK
--- IS TO PUT TOGETHER A COMPETITIVE
--- FINANCIAL PACKAGE.

6. IT WAS THE CONSENSUS OF GOVERNMENT AND INDUSTRY
OFFICIALS THAT THIS MEETING WAS AN EXTREMELY EFFECTIVE
FOLLOW-UP TO THE TASK FORCE SESSIONS. IT PRODUCED A
POSITIVE EXPRESSION THAT EXIMBANK IS ANXIOUS TO WORK
CLOSELY WITH INDUSTRY TO DEVELOP A COMPETITIVE BILATERAL
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FINANCING PACKAGE. WITH THIS ENCOURAGEMENT, WE BELIEVE
INDUSTRY WILL AGGRESSIVELY PURSUE THE BUSINESS. RE
REFTEL A SUGGEST THAT THIS CABLE BE USED TO RESPOND
TO QUESTIONS REGARDING EXIM POLICY ON THE PHASE III
PROGRAM. KISSINGER

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